

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Tri-Town Fire Department	County Oscoda
Audit Date 3/31/05	Opinion Date 8/2/05	Date Accountant Report Submitted to State: 9/27/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=Anderson & Decker, PC, email=jma@m33access.com Date: 2005.09.27 10:21:24 -04'00'	City Roscommon	State MI
Accountant Signature 		ZIP 48653	Date 9/27/05

TRI-TOWN FIRE DEPARTMENT
OSCODA COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2005

TRI-TOWN FIRE DEPARTMENT

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements	
<u>Governmental Funds</u>	
Balance Sheet	10
Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14-20
Required Supplemental Information:	
Statement of Revenues, Expenditures and changes in Fund Balance - Budget and Actual	21



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

INDEPENDENT AUDITORS' REPORT

August 2, 2005

Department Board
Tri-Town Fire Department
1508 W. 11th Street
Mio, Michigan 48647

We have audited the accompanying financial statements of the Tri-Town Fire Department, County of Oscoda, as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Tri-Town Fire Department, County of Oscoda, as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Tri-Town Fire Department has implemented a new financial reporting model as required by the provisions of GASB Statement No.34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of March 31, 2005.

The management's discussion and analysis are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Page 2
Department Board
Tri-Town Fire Department
August 2, 2005

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Tri-Town Fire Department, County of Oscoda. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "J. Anderson", with a stylized flourish at the end.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TRI-TOWN FIRE DEPARTMENT MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Tri-Town Fire Department (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005.

Financial Highlights

- . The assets of the Department exceeded its liabilities at the close of the most recent fiscal year by \$183,963 (*net assets*). Of this amount, \$33,273 (*unrestricted net assets*) may be used to meet the Department's ongoing obligations.
- . The Department's total net assets increased by \$13,867.
- . As of the close of the current fiscal year, the Department's general fund, reported an ending fund balance of \$33,273, a decrease of \$9,610 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$33,273 or 32% of total general expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's basic financial statements. The Department's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *statement of activities* presents information showing how the Department's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TRI-TOWN FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Department that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Department consist of a fire department.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Department's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Department maintains only one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund of the Department.

The Department adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10 & 12 of this report.

TRI-TOWN FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-20 of this report.

Government-wide Financial Analysis

(Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Department-wide data will be presented.)

A portion of the Department's net assets (82%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Department uses these capital assets to provide fire services to the community; consequently, these assets are *not* available for future spending.

Department's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 34,310
Capital Assets, Net	<u>150,690</u>
Total Assets	185,000
Current Liabilities	<u>1,037</u>
Total Liabilities	1,037
Net Assets:	
Invested in Capital Assets, Net	
Of Related Debt	150,690
Unrestricted	<u>33,273</u>
Total Net Assets	<u><u>\$ 183,963</u></u>

TRI-TOWN FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Department's net assets increased by \$13,867 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, decreased by \$9,610 or 22%, during fiscal year 2005.

Department's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
General Revenue:	
Federal	\$ 18,360
Local Contributions	66,000
Interest	338
Other	<u>9,871</u>
Total Revenue	<u>94,569</u>
Expenses:	
Public Safety	<u>80,702</u>
Total Expenses	<u>80,702</u>
Increase in Net Assets	13,867
Net Assets, Beginning of Year	<u>170,096</u>
Net Assets, End of Year	<u><u>\$ 183,963</u></u>

Governmental activities. The Department's total governmental revenues increased by \$4,110 from last fiscal year. This was primarily attributed to revenue from federal grants. Expenses increased by \$718.

Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TRI-TOWN FIRE DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The only governmental fund is the General Fund of the Department. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 32% of total general fund expenditures.

The fund balance of the General Fund decreased by \$9,610 during the current fiscal year.

Capital Assets and Debt Administration

Capital assets. The Department's investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$150,690 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$39,313 for the fiscal year.

Department's Capital Assets
(net of depreciation)

Land	\$ 9,509
Buildings and Improvements	42,471
Equipment and vehicles	<u>98,710</u>
Total	<u>\$ 150,690</u>

Additional information on the Department's capital assets can be found in note C on page 19 of this report.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tri-Town Fire Department
1508 11th Street
Mio, MI 48647

TRI-TOWN FIRE DEPARTMENT
STATEMENT OF NET ASSETS
MARCH 31, 2005

ASSETS	
Current Asset:	
Cash and equivalents	\$ 34,310
Non-Current Assets:	
Capital Assets - Net	<u>150,690</u>
Total Assets	<u>185,000</u>
LIABILITIES	
Liabilities:	
Accounts payable	<u>1,037</u>
Total Liabilities	<u>1,037</u>
NET ASSETS	
Investment in Capital Assets	150,690
Unrestricted	<u>33,273</u>
Net Assets	<u>\$ 183,963</u>

The accompanying notes are an integral part of these statements

TRI-TOWN FIRE DEPARTMENT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Program Expenses	
Salaries and wages	\$ 13,191
Fire runs	13,117
Employee training	3,360
Payroll taxes	2,225
Legal and professional	2,043
Insurance	15,233
Supplies	237
Repairs and maintenance	9,589
Electric	1,891
Heat	2,168
Telephone	537
Tower rent	1,275
Depreciation	<u>15,836</u>
Total Program Expenses	<u>80,702</u>
General Revenues	
Federal	18,360
Local Contributions	66,000
Interest	338
Other	<u>9,871</u>
Total General Revenues	<u>94,569</u>
Change in Net Assets	13,867
Net Assets	
Beginning of year	<u>170,096</u>
End of year	<u><u>\$ 183,963</u></u>

The accompanying notes are an integral part of these statements.

TRI-TOWN FIRE DEPARTMENT
BALANCE SHEET
MARCH 31, 2005

ASSETS

Cash and investments	\$ 34,310
----------------------	-----------

Total Assets	<u>\$ 34,310</u>
--------------	------------------

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 1,037
------------------	----------

Total Liabilities	<u>1,037</u>
-------------------	--------------

Fund Equity:

Fund balance	<u>33,273</u>
--------------	---------------

Total Fund Equity	<u>33,273</u>
-------------------	---------------

Total Liability and Fund Equity	<u>\$ 34,310</u>
---------------------------------	------------------

The accompanying notes are an integral part of these statements

TRI-TOWN FIRE DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

Total governmental fund balance	\$ 33,273
---------------------------------	-----------

Amounts reported for governmental activities in
the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>150,690</u>
---	----------------

Net assets of governmental activities	<u><u>\$ 183,963</u></u>
---------------------------------------	--------------------------

The accompanying notes are an integral part of these financial statements

TRI-TOWN FIRE DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
MARCH 31, 2005

Revenues:	
Federal	\$ 18,360
Local contributions	66,000
Interest	338
Other	<u>9,871</u>
Total Revenues	<u>94,569</u>
Expenditures:	
Salaries and wages	13,191
Fire runs	13,117
Employee training	3,360
Payroll taxes	2,225
Legal and professional	2,043
Insurance	15,233
Supplies	237
Repairs and maintenance	9,589
Electric	1,891
Heat	2,168
Telephone	537
Tower rent	1,275
Capital outlay	<u>39,313</u>
Total Expenditures	<u>104,179</u>
Excess:	
Revenue over (under)	
expenditures	(9,610)
Fund Balance April 1	<u>42,883</u>
Fund Balance - March 31	<u><u>\$ 33,273</u></u>

The accompanying notes are an integral part of these financial statements.

TRI-TOWN FIRE DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Net Change in fund balance-total governmental funds \$ (9,610)

Amounts reported for governmental activities
in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.

23,477

Change in net assets of governmental activities.

\$ 13,867

The accompanying notes are an integral part of these financial statements.

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tri-Town Fire Department conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

DEFINING THE REPORTING ENTITY

Tri-Town Fire Department is a joint venture between Big Creek Township, Elmer Township, and Mentor Township for the purpose of providing fire protection services to residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township. As required by generally accepted accounting principles and Governmental Accounting standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present Tri-Town Fire Department (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

Governmental Accounting Standards Board Statement No.34

For the fiscal year ended March 31, 2005 Tri-Town Fire Department implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This statement affects the manner in which Tri-Town Fire Department records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management's Discussion and Analysis-GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of Tri-Town Fire Department's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements-The reporting model includes financial statements prepared using full accrual accounting for all Tri-Town Fire Department's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

Statement of Net Assets-The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities) and the total of its discretely presented component parts. Tri-Town Fire Department reports capital assets in the government-wide statement of net assets and reports depreciation expense-the cost of "using up" capital assets-in the statement of activities. The net assets of Tri-Town Fire Department are broken down into three categories-1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities-The statement of activities reports expenses and revenues in a format that focuses on the cost of each of Tri-Town Fire Department's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, Tri-Town Fire Department has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. Implementation of GASB 34 has had a significant impact on Tri-Town Fire Department's financial statements for the year ended March 31, 2005.

Governmental Accounting Standards Board Statement No.37

For the fiscal year ended March 31, 2005, Tri-Town Fire Department implemented GASB Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, Tri-Town Fire Department considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

BASIS OF PRESENTATION-GOVERNMENT WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information on the Tri-Town Fire Department as a whole, excluding fiduciary activities for non-adjudicated funds.

The Statement of Net assets presents Tri-Town Fire Department's assets and liabilities with the difference being reported as either invested in capital assets, net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by general revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

BASIS OF PRESENTATION-FUND FINANCIAL STATEMENTS

Financial statements are provided for the operating fund (governmental fund). Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

GENERAL FUND

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from federal and state grants and local government contributions.

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING-GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year of which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS/BASIS OF ACCOUNTING-FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the unit considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CAPITAL ASSETS AND DEPRECIATION

The Tri-Town Fire Department's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The department generally capitalizes assets with historical cost of normal maintenance more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1-3 years
Office furniture	5-20 years
Vehicles	4-7 years
Buildings and improvements	25-40 years
Land improvements	10-20 years
Machinery and equipment	5-10 years
Land and construction in progress are not depreciated.	

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DEPOSITS AND INVESTMENTS

The Tri-Town Fire Department's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from date of acquisition.

State statutes authorize a governmental unit other than Tri-Town Fire Department to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The governmental unit is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

NOTE B - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$ 34,310	Checking & Savings Accounts	\$ 34,310
Total	<u>\$ 34,310</u>	Total	<u>\$ 34,310</u>

Deposits - At year-end, the carrying amount of the Department's deposits was \$34,310 and the bank balance was \$34,707. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

Deposits are categorized into these three categories of credit risk.

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name.
3. Uncollateralized.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 34,310	\$ 34,707
Uninsured and Uncollateralized	<u>-0-</u>	<u>-0-</u>
Total Deposits	<u>\$ 34,310</u>	<u>\$ 34,707</u>

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE C - CAPITAL ASSETS

The following is a summary of changes in the Capital Assets:

	<u>Balance 4/01/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
Land & Improvements	\$ 9,509	\$ -0-	\$ -0-	\$ 9,509
Capital Assets Being Depreciated:				
Buildings & Improvements	75,000	19,989	-0-	94,989
Equipment & Vehicles	<u>330,926</u>	<u>19,324</u>	<u>-0-</u>	<u>350,250</u>
Total Capital Assets being depreciated	<u>405,926</u>	<u>39,313</u>	<u>-0-</u>	<u>445,239</u>
Less Accumulated Depreciation:				
Buildings & Improvements	50,435	2,083	-0-	52,518
Equipment & Vehicles	<u>237,787</u>	<u>13,753</u>	<u>-0-</u>	<u>251,540</u>
Total	<u>288,222</u>	<u>15,836</u>	<u>-0-</u>	<u>304,058</u>
Net Capital Assets being depreciated	<u>117,704</u>	<u>23,477</u>	<u>-0-</u>	<u>141,181</u>
Total Net Capital Assets	<u>\$ 127,213</u>	<u>\$ 23,477</u>	<u>\$ -0-</u>	<u>\$ 150,690</u>

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended March 31, 2005 the Department incurred expenditures in excess of the amounts appropriated in the General Fund as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Fire runs	\$ 12,000	\$ 13,117	\$ (1,117)
Employee training	2,400	3,360	(960)
Legal and professional	1,300	2,043	(743)
Insurance	14,000	15,233	(1,233)
Repairs and maintenance	7,000	9,589	(2,589)
Electric	1,500	1,891	(391)
Heat	1,900	2,168	(268)
Tower rent	900	1,275	(375)
Capital outlay	5,600	39,313	(33,713)

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE F - PARTIAL SELF-INSURANCE

The Department is a member of the Township Participating Plan. Under most circumstance, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 372,245	\$ 100
Liability	2,000,000	-0-
Errors and Omission	2,000,000	-0-
Law Enforcement	2,000,000	-0-
Automobiles	2,000,000	100
Crime	10,000	-0-
Inland Marine	221,000	100
Workmen's Compensation	STATUTORY	-0-

TRI-TOWN FIRE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable Unfavorable
REVENUES				
Federal	\$ -0-	\$ -0-	\$ 18,360	\$ 18,360
Local contributions	66,000	66,000	66,000	-0-
Interest	-0-	-0-	338	338
Other	-0-	-0-	9,871	9,871
Total Revenues	<u>66,000</u>	<u>66,000</u>	<u>94,569</u>	<u>28,569</u>
EXPENSES				
Salaries and wages	14,100	14,100	13,191	909
Fire runs	12,000	12,000	13,117	(1,117)
Employee training	2,400	2,400	3,360	(960)
Payroll taxes	4,400	4,400	2,225	2,175
Legal and professional	1,300	1,300	2,043	(743)
Insurance	14,000	14,000	15,233	(1,233)
Supplies	300	300	237	63
Repairs and maintenance	7,000	7,000	9,589	(2,589)
Electric	1,500	1,500	1,891	(391)
Heat	1,900	1,900	2,168	(268)
Telephone	600	600	537	63
Tower rent	900	900	1,275	(375)
Capital outlay	<u>5,600</u>	<u>5,600</u>	<u>39,313</u>	<u>(33,713)</u>
Total Expenses	<u>66,000</u>	<u>66,000</u>	<u>104,179</u>	<u>(38,179)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	-0-	-0-	(9,610)	(9,610)
FUND BALANCE, April 1	<u>42,883</u>	<u>42,883</u>	<u>42,883</u>	<u>42,883</u>
FUND BALANCE, March 31	<u>\$ 42,883</u>	<u>\$ 42,883</u>	<u>\$ 33,273</u>	<u>\$ 33,273</u>